



USAID MACEDONIA SMALL BUSINESS EXPANSION PROJECT

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Ms. TATJANA MARKOVSKA
Contracting Officer's Representative
USAID MACEDONIA

Carl Larkins
Chief of Party
USAID MACEDONIA
SMALL BUSINESS EXPANSION PROJECT
Debarca #3, 1000 Skopje
Ilindenska #170, 1200 Tetovo
Republic of Macedonia
clarkins@carana.com

Eduardo Tugendhat
Project Manager
CARANA Corporation
4350 N. Fairfax Drive #900
Arlington, VA 22203
etugendhat@carana.com

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Executive Summary

During this quarter SBEP activities focused on building operational and programmatic foundations. The Project's energetic start helped SBEP establish credibility and garner praise for its approach and strategy. SBEP's multi-tiered strategy focused on local market supply chain linkages combined with regional and local development resources has created productive relationships which in turn have led to the launch of several strategic initiatives.

The SBEP team held discussions with over 15 municipal LED offices, 12 donor projects, four financial institutions, government agencies, and over 50 businesses as part of a broad assessment. The discussions centered on economic issues, ongoing economic stimulus programs, sector-specific activities and the current business climate in Macedonia. These discussions were highly instructive in establishing pilot initiatives. This inclusive approach has assisted greatly in the formulation of a coherent project strategy.

As part of the preparatory process SBEP met with a number of USAID projects to identify potential synergies. SBEP has been able to benefit from the insights and collaborative possibilities offered by both former and ongoing USAID projects. SBEP formed agreements of cooperation with the USAID-funded YES, CEED, MATA, AG-BizE and Rural Network projects. These relationships will be elemental in developing project initiatives and establishing the operating environment in the target regions.

Activities in this quarter centered on three themes: developing of strategic partnerships, developing strategic initiatives, and identifying relevant sectors and industries capable of providing economic growth opportunities for small businesses.

In the area of strategic partnerships, SBEP has reached agreements with the Regional Development Centers (RDCs) of Pelgonija and Polog to create a forum for public-private dialogue as a means to develop strategic plans to access IPA developmental funds. These EU-IPA funds (IPARD, FP7 and CBC) represent the single largest opportunity for regions to access financing for the development of municipalities, the private sector, NGOs, rural tourism, and agricultural enterprises. The scale of funding accessible by individual regions is directly related to the quality and innovativeness of the projects they design. The RDC forums will allow for regional stakeholders to discuss, design, and agree to economically-driven projects which create opportunities for employment and growth for small and micro enterprises (SMEs). These strategic partnerships present a huge opportunity for SBEP to extend its reach and impact. The support of RDC forums should increase the ability of SBEP to track and monitor the economic activity resulting from enhanced access to EU developmental funds.

In the area of strategic initiatives, SBEP has initiated several supply chain-oriented pilot projects with leading Macedonia companies. The central idea being demonstrated is that companies can and should redirect their purchasing power away from sourcing imported raw materials, and gear that purchasing power toward locally-operated SMEs. The underlying theory is that increased use of local suppliers in the supply chains of these companies will generate economic growth and employment opportunities. The pilot project with Prilep-based Vitaminka, a well-respected exporter of processed foods, has been an effective illustrative model in dialogue with potential regional partners that could benefit from a similar initiative. The pilot with Tetovo-based Veze Sharri, one of Macedonia's largest egg producers,

has had a similar effect in discussions with companies in Polog. Veze Sharri has enthusiastically agreed to partner on an initiative encouraging small agricultural enterprises to grow corn to be purchased by the company for feed. Under this model, everyone is a winner; lead firms reduce their input costs by eliminating imports, and small enterprises gain new growth opportunities.

Finally, establishing partnerships and pilot initiatives has allowed SBEP to identify the sectors demonstrating the most economic promise for SMEs. Through meetings with partners and stakeholders and analysis of existing reports, SBEP has determined that several sectors present viable economic growth opportunities for SMEs in the target regions of Macedonia, including agriculture, construction and building trades, rural tourism, and light manufacturing.

Technical Implementation

Strategic Approach

As established in the initial Project work plan, and in line with the Intermediate Results defined in the Contract, the SBEP strategic approach consists of two “vertical” components; two cross-cutting or “horizontal” components that contribute to goals within the verticals, as well contain project objectives themselves; and a fifth component which applies to all areas. The components are as follows:

SBEP “verticals”:

- 1) Private sector engagement with both lead firms and Micro, Small, and Medium-sized Enterprises (MSMEs), and
- 2) Public sector engagement at both the regional and local levels

SBEP “horizontals”:

- 1) Business Service Organization (BSO) Development, and
- 2) Workforce Development (WFD)

These four components – along with the fifth goal of creating opportunity for women and youth in all activities when feasible – developed at varying speeds in the Project’s first months, with a special emphasis placed on private sector engagement. The rationale for this early strategy was to create pilots to both help the Project gain momentum and a reputation for results, and to serve as models for future Project activities.

In FY 2012 SBEP made significant progress developing working relationships with strategic partners in the target regions; these high-level partnerships will allow the Project to leverage local knowledge, experience, and resources as SBEP seeks to create opportunities within its areas of focus.

An important part of developing these early relationships has been to underline the Project’s facilitative role, which is designed to take full advantage of existing economic dynamics and opportunities in the target regions, minimize duplication of existing development efforts, and maximize capacity transfer to local organizations.

Strategic Partnerships Update

SBEP is acting as facilitator in assisting the Regional Development Centers (RDCs) to develop a process with which to convene stakeholders to create a development plan specific to each of the target regions. SBEP is working with the RDCs, local government institutions, and Business Service Organizations (BSOs) to identify existing assets and initiatives which can morph into illustrative economic growth opportunities/models in support of regional strategies.

Pelagonija Regional Development Center

In July, SBEP signed a Memorandum of Understanding (MOU) with the Pelagonija RDC to support to the development of the RDC’s regional development strategy. SBEP coordinates directly with the RDC’s

Executive Director Emilia Gjeroska, and is building an operating partnership which complements the ongoing initiatives of the RDC. SBEP also started the process for the development of an Opportunities Taskforce (OTF) at the municipal level, through a number of meetings with mayors, LED officers, and local businesses.

In August SBEP and the Pelagonija RDC signed an agreement to formalize cooperative efforts towards the creation of a Local Action Group (LAG) in the region in preparation for accessing EU development funding under the LEADER (*Liaison Entre Actions de Développement de l'Économie Rurale*) approach and positioning the RDC as an executive body of the LAG. In addition, the two partners will organize a series of workshops and roundtables with municipal Local Economic Development offices (LEDs), private sector representatives, and other relevant stakeholders from academia, NGOs, and the BSO sector, in order to lead the process aimed at developing the Pelagonija LAG. SBEP will provide financial and technical support to the RDC under this year-long agreement.

PREDA+ Partnership

SBEP further expanded its presence in the Pelagonija region by establishing a long-term partnership with the local economic development organization PREDA+. PREDA+ was identified early-on as a viable local partner, having proven a capable organization during the now-closed Macedonia Competitiveness Project (MCP). In August SBEP signed an annual subcontract with PREDA+, defining the organization's role and responsibilities relating to the provision of logistics and organizational support for SBEP activities in the Pelagonija region. PREDA+ serves as a local hub, providing space and office support to SBEP staff when traveling to the region and meeting with local businesses and stakeholders, and will also have a significant role as a BSO in the Project's supply chain initiatives with lead firms and MSMEs in the region.



PREDA+, SBEP partner in Pelagonija

Polog Regional Development Center

In August, SBEP signed an MOU with the Polog RDC to support the development of a regional strategy. SBEP has also started the process for the development of an OTF with the RDC in Polog, although political complexities may impede the development of an active OTF. The Project will continuously evaluate opportunities and challenges in Polog in order to design the most appropriate strategy for supporting regional development.

GIZ Cooperation

SBEP initiated contact with German Development Cooperation (GIZ), which conveniently shares a floor with the Project's Tetovo office. SBEP and GIZ held a number of meetings to identify possibilities for future cooperation, with the goal of supporting local businesses in the Polog region. This coordination also serves to avoid duplication and create synergies between the two donor Agencies, as their projects share many goals and objectives. Some of the potential joint activities immediately identified relate to supporting the municipalities in the region to advance their economic relations with the Polog Diaspora in Western Europe by organizing road shows in Germany, Switzerland and Sweden. The aim of these road shows is to present to the Diaspora the business environment and interest them in investment opportunities in the Polog region.

Other potential collaborative actions may involve encouraging self-employment among women in the Polog region, and initiatives to develop rural tourism. Both projects are committed to building up the RDC's capacity. In order to further develop these initiatives and perhaps define others, SBEP and GIZ agreed upon taking advantage of the proximity of the two offices in Tetovo to hold regular coordination meetings.

Economic Chamber of Northwest Macedonia

In September, SBEP held several meetings with Fatimir Bytyqi, the executive director of the Economic Chamber of Northwest Macedonia to discuss the contours of a strategic partnership. An agreement in principle was reached that SEBP and the Chamber will enter into additional discussions with GIZ and the RDC to form a working group. This group will at first act to synchronize planned activities of common interest in the areas of Diaspora investment, women entrepreneurs, rural tourism, and strategic planning for the development of applications for IPARD, CBC, and other available developmental funds.



September 13, 2012 – SBEP meeting with Polog RDC, GIZ, and the North West Chamber of Commerce to discuss the potential for strategic planning and cooperation to catalyze regional economic development

Strategic Initiatives Update

Vitaminka

A main objective of SBEP is to catalyze job creation by strengthening the market linkages between local suppliers and large export-oriented companies, thus increasing local sourcing and providing SMEs with growth opportunities. Pelagonija-based Vitaminka, a major Macedonian food producer, has embraced this model and signed an MOU with the Project, becoming a pioneer in testing the SBEP strategy.

Saso Naumovski, General Manager of Vitaminka, commented that “In past years we have proven that one of the primary goals of Vitaminka as a socially responsible company is to contribute to the development of the local community. With this project we can directly help small and medium businesses to take a step forward, to grow and survive in an environment where the competition is high. We as a company have the know-how, experience and development opportunities that can be transferred to the local supply chain of Vitaminka.”



The Vitaminka procurement department, SBEP and PREDA+ meet to discuss options for import substitution

Currently Vitaminka imports the vast majority of raw materials for its production lines. The company is willing to source locally, if the local producers can meet its quality, volume, and pricing needs. In order to further develop this initiative, SBEP hired a US-based supply chain expert, Mr. Brett Johnson, who visited Macedonia from July 20-29. Mr. Johnson performed an initial analysis of goods that Vitaminka could source from producers in the region. Through SBEP, PREDA+ is supporting this initiative and will take the next steps to identify and organize farmers who will be potential suppliers to Vitaminka.

In September, Vitaminka and SBEP agreed to focus on identifying local producers for the following inputs: tomato paste (industrial tomato production), hazelnuts, dried onions, and carrots. Vitaminka will provide the exact specifications necessary for each of the inputs. Already, PREDA+ has identified local tomato paste producer Konzervna Bitola as potential supplier. Konzervna Bitola has agreed to develop a multi-year initiative to raise its productive capacity. SBEP is currently designing this pilot, which will also incorporate contract farmers who are part of the company's supply chain.



Industrial tomatoes used to produce tomato paste



Konzervna Bitola tomato paste processing plant

GreenProduct

In Polog, SBEP is working with the GreenProduct vegetable processing company, based in the Tetovo village of Dzepciste, and has identified an opportunity to expand its base of local suppliers by implementing drip irrigation systems. In July SBEP and the agricultural supply company Magan Mak installed the area's first pilot drip irrigation system on a 1,000 m² plot of green peppers, which is owned by a small farmer who is a supplier to GreenProduct. The goal is to increase yields and improve quality in order to help GreenProduct and other small food companies grow and add jobs.



September 9, 2012 –GreenProduct demonstration site with fully operational family drip irrigation system

Veze Sharri

SBEP has formed a partnership with Veze Sharri, a major egg-producer in the Polog region, to enhance the capacity of small agricultural producers to grow higher yielding varieties of corn. Regionally, approximately 7,643 hectares of corn are cultivated each year, producing some 40,000 metric tons. But the average yield in Polog is only 5.2 tons per hectare, roughly half the global average. These low corn yields are a major loss-maker for small producers, and require that most farmers purchase additional feed for ruminant animals. The pilot initiative is the start of a multi-year effort to improve corn yields across region. In the first phase SBEP and Veze Sharri will develop several demonstration sites with small farmers to produce yields up to 15 tons per hectare. These pilot activities will introduce drip irrigation technology and several high-yielding varieties of corn. The sites will be monitored and used as models for other farmers on proper methodologies for increasing corn yields. Veze Sharri has agreed to purchase surplus corn from farmers at import prices.



Veze Sharri, Macedonia's largest egg producer, agreed to partner with SBEP



September 12, 2012 — SBEP, Veze Sharri and local farmers meet and discuss possible cooperation in a supply chain initiative focused on increasing corn yields in Polog

Renova

SBEP has formed a partnership with Renova, Macedonia's largest pre-mix producer, to develop a workforce training program with the Worker's University of Tetovo. The workforce training program will focus on identifying candidates for mid-level supervisory positions within the company. The target group will be unemployed persons between the ages of 30 and 45 who have completed tertiary education and possess previous vocational work experience. The Worker's University will provide the theoretical curriculum and Renova the practical on-site training. As a leader in the construction sector, Renova has network of over 250 contractors. With Renova, SBEP will also work with to identify the long-term human resource requirements of these subcontractors. By understanding the resource requirements of the sector, SBEP will work alongside Renova and the Worker's University to stimulate industry buy-in for the formation of certification and institutional training courses. Currently Renova is reviewing the existing curriculum of the Worker's University to evaluate strategic options for launching the workforce development program.

Market linkages between Pelagonija and Polog regions

SBEP has also initiated activities to develop specific market linkage opportunities between the Polog and Pelagonija regions. The first example is a groundbreaking initiative connecting the Pelagonija-based company Vigan, a processor of wild mushrooms, herbs, and fruits, with the municipality of Tearce in Polog. After the initial contact between the two partners, in July Vigan initiated purchases of wild berries from Polog region gatherers. The Tearce mayor has identified two potential facilities that can be transformed into collection and processing center, and is willing to provide assistance to Vigan.



August 2, 2012 – SBEP and Vigan visit Tearce municipality to identify a site for a new processing facility

Ongoing Project Activities: Pelagonija Region

Color-coding indicates associated activities; no color indicates free-standing or cross-cutting activities

INITIATIVE/ PARTNERS	Type of Actor/ Project Component	ACTIVITY	ISSUES	Follow-up
RDC Pelagonija	State Institution Vertical 2: Public Sector Engagement	<ul style="list-style-type: none"> Public-private dialogue in support of EU-LEADER program. Convene private sector, NGOS and elected officials on rural development Creation of OTFS 	<ul style="list-style-type: none"> Long process funding not guaranteed Commitment of participants untested Political issues 	<ul style="list-style-type: none"> Setup a meeting with the DPM and Minister of Agriculture to discuss USAID assistance to RDC Outline for launch event. Setup financial procedures for procurement of services within the MOU Confirm new date and participation of US Ambassador Develop implementation timeline
Bitola Start-Up Center	BSO Horizontal 1: BSO Development	<ul style="list-style-type: none"> Identify programmatic synergies and opportunities for collaboration 	<ul style="list-style-type: none"> Need to define working relationship 	<ul style="list-style-type: none"> Follow-up meeting with Rosita Obtain information about drying machines and technology Meet with Hazelnut cooperative
Prilep Economic Council	Public-Private forum Vertical 1: Private Sector Engagement Vertical 2: Public Sector Engagement	<ul style="list-style-type: none"> Regularly scheduled forum for Public Private Dialogue Municipality interested in wood chip burning technology production in order to reduce energy costs 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Contact LED for date of next meeting Visit Mikrosam Follow-up with wood chip company in Prilep
Rural Tourism	Various activities Vertical 1: Private Sector Engagement Vertical 2: Public Sector Engagement	<ul style="list-style-type: none"> Develop rural tourism dialogue within the framework of the LEADER/LAG Existing map of Pelagonija tourism offerings—including website 	<ul style="list-style-type: none"> No defined regional strategy—ad hoc approach No real data on tourism traffic—including revenue, visitors and average spend rate Scatter approach with donor assistance 	<ul style="list-style-type: none"> Review existing efforts with RDC Identify lead stakeholders active in tourism Determine approach –region wide or with most active locations
VITAMINKA	Lead firm Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Supply chain enhancement Import Substitution Industrial tomatoes, hazelnuts, Dried onions and carrots for processing Handicrafts, Advertising and Graphic design services as options for VITAMINKA to divert purchasing power from international or regional sources 	<ul style="list-style-type: none"> Lack of production capacity (suppliers) Lack of appropriate agriculture technology (suppliers) Lack of coordination with potential supply chain 	<ul style="list-style-type: none"> Vitaminka to supply information on appropriate varieties for onions, carrots. Sample of Hazelnuts to be forwarded to Vitaminka for testing. Second meeting with Konzervna to assess the company's current capacity and corresponding issues Identify small or micro enterprises engaged in drying agricultural produce Identify potential handicrafts producers to design commercial giveaways for Vitaminka

PREDa Plus	BSO Horizontal 1: BSO Development	<ul style="list-style-type: none"> Identify and organize supply chain opportunities—with Vitaminka and other companies Explore the textile subcontractors in Prilep—for potential SAITIS supply chain initiative 	<ul style="list-style-type: none"> Starting new process—unproven capacity in this area 	<ul style="list-style-type: none"> Preda Plus to obtain from Vitaminka specs on processed onions and carrots. Setup another meeting with Iljo and financial facilitators Further discussions with Vitaminka about Artisan and Graphic design initiative. Identify pilot sites and partners for supply chain initiatives
Artisans and Handicraft	SMEs Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Crafts and items produced by local artisans for Vitaminka commercial tie-ins 	<ul style="list-style-type: none"> Products with commercial appeal for VITAMINKA unknown Capacity of artisans undetermined 	<ul style="list-style-type: none"> Preda Plus identify potential products and artisans production capacity—and new pitch to Vitaminka Talk to MATA for potential artisan organization in Pelagonija
Design Challenge	MSMEs & universities Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Design competition for the next generation of Vitaminka products and packaging 	<ul style="list-style-type: none"> New and unproven concept for Vitaminka 	<ul style="list-style-type: none"> Written proposal on “Design with Vitaminka” campaign and the Graphic department of the Technical Faculty in Bitola.
KULI	SME Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Supply chain—subcontractors for production of garments 	<ul style="list-style-type: none"> Business is in decline Subcontractor is weak 	<ul style="list-style-type: none"> Schedule another meeting with Nikola to discuss possibilities—including production of aprons or other give aways for Vitaminka?
Konzervna Bitola	Medium-size enterprise Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Supply chain enhancement Increase the supply of industrial tomatoes from contract farmers- 200 hectares 	<ul style="list-style-type: none"> Identifying the appropriate variety of industrial tomatoes for production Lack of production process and know-how 	<ul style="list-style-type: none"> Schedule project design meeting with Konzervna, SBEP, PREDa PLUS and MAGAN MAK Magan Mak to prepare presentation for meeting involving technology and process Invite Giora to third meeting
Novaci	SME Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Demonstration site for industrial tomato production 	<ul style="list-style-type: none"> Production outlier—can influence other farmers and the Konzervna Currently producing at 80 tons per hectare—is it possible to increase to 100 tons? 	<ul style="list-style-type: none"> Project design meeting for the demo farm with Preda Plus, Magan Mak and Farmer Define size of demo plot
Magan Mak	Medium-size enterprise Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Supplier of agricultural inputs and training 	<ul style="list-style-type: none"> Partnering with SBEP as technical assistance and agricultural inputs supplier on a variety of agriculture activities 	<ul style="list-style-type: none"> MAGAN MAK to present agricultural input options to Konzervna Bitola Review demo site number 2 with Novaci Municipality Ministry of Israel AG rep to visit site Prepare plan for 6 hectare demo site
SwissLion	Lead firm Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Supply chain initiative, import substitution, hazelnuts 		<ul style="list-style-type: none"> Sit down with procurement team to identify other opportunities other than hazelnuts
Hazelnuts Cooperative	SME	<ul style="list-style-type: none"> Identify the appropriate hazelnut variety for production 	<ul style="list-style-type: none"> Lack of basic know how Limited in-country knowledge 	<ul style="list-style-type: none"> Setup meeting with Iljo and financial facilitator and finance institutions—business plans

	Vertical 1: Private Sector Engagement		<ul style="list-style-type: none"> of Hazelnuts Sector completely disorganized 	<ul style="list-style-type: none"> Explore with Jasmina nursery options
Organic Farmers Cooperative	SME Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> 300 hectares of organic production for commercial use 	<ul style="list-style-type: none"> Business model is unproven—business plan is not clearly articulated 	<ul style="list-style-type: none"> Goce to discuss drip irrigation options with Magan Mak Discussion with Flores about potential production of medicinal herbs
FLORES	SME Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Supply chain of medicinal herbs 	<ul style="list-style-type: none"> Market and product needs undefined 	<ul style="list-style-type: none"> Flores to meet with Goce and Organic Cooperative in Skopje FLORES to introduce SBEP to onion farmers
SAITIS	SME Vertical 1: Private Sector Engagement Horizontal 2: Workforce Development	<ul style="list-style-type: none"> Textile company Workforce development program—BSCI initiative Development of supply chain initiative focused on 6 subcontractors 	<ul style="list-style-type: none"> Company's priority unclear Not compliant with BSCI standards which blocks the company from the UK market 	<ul style="list-style-type: none"> Another meeting with SAITIS to discuss BSCI and workforce development program and supply chain initiative Identify service provider for BSCI Meet with SATIS subcontractors to determine current business model
Vigan	SME Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Investment in Tearce municipality Mushroom and wild herbs collection center 	<ul style="list-style-type: none"> Identification and leasing of appropriate operational facility Request to lease of initial site denied by Orthodox Church denied 	<ul style="list-style-type: none"> Follow-up needed with investors and municipality
Apple Farmers in Resen	SMEs Vertical 1: Private Sector Engagement		<ul style="list-style-type: none"> Lack of coordinating body Farmers receive government subsidies which pervert a true market relationship 	<ul style="list-style-type: none"> On hold

Ongoing Project Activities: Polog Region

Color-coding indicates associated activities; no color indicates free-standing or cross-cutting activities

INITIATIVE/ PARTNERS	Type of Actor/ Project Component	ACTIVITY	ISSUES	Follow-up
RDC Polog	State Institution Vertical 2: Public Sector Engagement	<ul style="list-style-type: none"> Cooperation on strategic planning to assist stakeholders obtain EU IPARD funding Identifying strategic projects with LEDs Develop Public private dialogue mechanism to support EU Cross Border call for Macedonia and Kosovo Cooperation with GIZ to align assistance to RDC Prepare for Leader/LAG call for rural development Mr. Adil Emini 	<ul style="list-style-type: none"> Weak RDC Participation of Tetovo and Gostivar Municipalities is limited Stakeholders unclear about RDC's role Polog politics are fractious 	<ul style="list-style-type: none"> Assist RDC to recruit other stakeholders to support and participate in the strategic planning process--- Tetovo, Gostivar, LEDs and the Northwest Chamber With GIZ help RDC to convene a small working group to put together a strategy for regional economic development Expand the discussion on the establishment of Diaspora investment offices, tourism cluster and Women Entrepreneurs
Economic Chamber of Commerce of Northwest Macedonia	Public-Private dialogue Vertical 2: Public Sector Engagement Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Strategic partner capable of convening private sector stakeholders Existing programs and funding for initiatives Focused on developing relevant services for members Policy development and advocacy is a high priority Mr. Fatimir Bytyqi 	<ul style="list-style-type: none"> No apparent weakness New managing director with ample capacity In the process of rebooting the Chamber—identifying new services 	<ul style="list-style-type: none"> A series of strategic meetings to determine relationship Committed to participating fully with SBEP—will participate in launch event as keynote partner. Work with Chamber to identify initiatives and other stakeholders to assist with a regional development strategy Will be responsible for bringing Gostivar stakeholders to the table
GIZ – German Development Cooperation	BSO Horizontal 1: BSO Development	<ul style="list-style-type: none"> GIZ is supporting the Regional Development Center Focus on Diaspora Investment Initiative Tourism Cluster Women Entrepreneurs Define appropriate areas of cooperation Mr. Hamsi Behuli 	<ul style="list-style-type: none"> GIZ not fully aligned with all stakeholders RDC is weak and doesn't provide enough political weight to bring in other stakeholders GIZ not appreciated by all actors—linear focus Understanding of how to mapping out the entire cluster development 	<ul style="list-style-type: none"> Gather more details about planned initiatives with RDC Gather more information about cluster initiatives, tourism, women entrepreneurs and furniture producers Work to integrate clusters and activities into the framework of the Chamber of Commerce and not as stand alone entities
Cross Border Cooperation with Kosovo	Public-Private dialogue Vertical 2: Public Sector Engagement	<ul style="list-style-type: none"> Opportunity for cooperation on strategic initiatives which benefit private sector and associations 	<ul style="list-style-type: none"> No regional strategy in place to identify opportunities The “Call” for proposals is an open process which leads to an ad hoc 	<ul style="list-style-type: none"> Identify priorities with RDC Define a unified approach with partners Northwest Chamber, GIZ and others including LEDs

	Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Call for proposals expected at the end of 2012 	<p>approach</p> <ul style="list-style-type: none"> No defined information and education process on CBC 	
Leader LAG - Polog	State Institution Vertical 2: Public Sector Engagement	<ul style="list-style-type: none"> EU funding for rural development—potential opportunity for small businesses to leverage funding RDC is key to initiating process Call for action plans late 2013 “Farms are small businesses” 	<ul style="list-style-type: none"> Not on the radar of the RDC or other stakeholders Could be considered too complicated and a second option to the CBC with Kosovo 	<ul style="list-style-type: none"> With RDC, GIZ and the Chamber develop a timeline to introduce the program Develop action plan to support the LEADER process which is integrated with other funding opportunities Request assistance from the Rural Development Network—and LED Gostivar representative
Cross-coordination with USAID projects		<ul style="list-style-type: none"> Coordination on workforce development with YES project Coordination for support of SME's in the region with CEED project 	<ul style="list-style-type: none"> Focused on young unemployment workforce development Determination of their partners participating in their program 	<ul style="list-style-type: none"> Initiate a meetings to determine relationship regarding the workforce development—USAID YES Initiate meeting to determent the field of cooperation with CEED and their support of the companies in the region Crimson Capital willing to explore agriculture loan package Meet with Explore Macedonia rep in Polog region
Tetovo Municipality	State Institution Vertical 2: Public Sector Engagement	<ul style="list-style-type: none"> Largest municipality in Polog The largest companies in Polog are based in Tetovo Mayor Dr. Sadi Bexheti is a member of Democratic Albania Party Social Economic Council 	<ul style="list-style-type: none"> Participation in RDC is limited to Mayoral level Doesn't provide any funds for the RDC Upcoming municipal elections and local politics play a role in every decision 	<ul style="list-style-type: none"> Schedule meeting with Mayor's adviser Majan Vesjseli and LED office With Municipality identify businesses for supply chain initiative and BSP support
Gostivar Municipality	State Institution Vertical 2: Public Sector Engagement	<ul style="list-style-type: none"> 2nd largest municipality in Polog Mayor Rofi Osmani is an independent 	<ul style="list-style-type: none"> Participation in the RDC is limited Upcoming municipal elections and local politics play a role in every decision 	<ul style="list-style-type: none"> Schedule meeting with LED person Faton With Municipality identify businesses for supply chain initiative and BSP support
Diaspora Investment Initiative	Public-Private dialogue Vertical 2: Public Sector Engagement Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Working with RDC, LED, the Chamber and GIZ, develop a strategic approach to attract and direct Diaspora investment opportunities Establish communications links with diaspora clubs in Europe and the US 	<ul style="list-style-type: none"> No agreement of approach No agreement on process which includes key municipalities May require national political backing for initiative 	<ul style="list-style-type: none"> More discussions with relevant partners including municipalities Convince Chamber to take a more active role. Further discussions with GIZ about their German centric initiative
Tourism Cluster	Public-Private dialogue Vertical 2: Public Sector Engagement	<ul style="list-style-type: none"> GIZ led effort to organize an official tourism cluster/association. Northwest Chamber participates –has ideas on how to organize and grow the 	<ul style="list-style-type: none"> Early stages of development SBEP has yet to participate in meetings. Strategy is needed---sector players are small Undefined assets and 	<ul style="list-style-type: none"> Gain entrance into the cluster meetings Dimce Damjanovski to take the lead for SBEP Work to integrate the tourism cluster into the existing framework of the North West Chamber Expand relationship between RDC and the Chamber to develop joint initiatives

	Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> sector 30-40 stakeholders participating in cluster 	opportunities	
Women Entrepreneurs	<p>SMEs</p> <p>Vertical 1: Private Sector Engagement</p> <p>IR 5: Women & Youth</p>	<ul style="list-style-type: none"> North West Chamber is embarking on a membership drive of women owned companies GIZ has conducted an awareness campaign of women –owned businesses ESA has worked with women owned microenterprises under a UNDP project to reduce unemployment SEED—has made efforts to work with women owned businesses 	<ul style="list-style-type: none"> Lack of coordination by interested parties Women entrepreneurs a secondary consideration for most projects Ill-defined outcome of initiatives---project driven activities—no real strategic approach Ad hoc activities 	<ul style="list-style-type: none"> Assemble key actors to discuss a revamp and collaborative approach towards women owned businesses and women in business Identify national programs that support women---with regional reach Identify capable women-centric resources Expand relationship between RDC and the Chamber to develop joint initiatives Mimi Makedonska to take lead for SBEP
RENOVA	<p>Lead firm</p> <p>Horizontal 2: Workforce development</p>	<ul style="list-style-type: none"> Workforce development program focused on identifying the human resource needs of Macedonia’s largest pre-mix plaster company Develop curriculum with the Worker’s University to train unemployed individuals to enter pre identified jobs at Renova and or subcontractors in Renova’s supply chain General Manager Shefki Idrizi Mr. Beqir Memeti 	<ul style="list-style-type: none"> Human resources need assessment is required. Timeline for theoretical and practical instruction Determine cost per student Selection process of unemployed yet skilled applicants between 30-45 years of age. Collaboration with Renova’s ecosystem of companies still unclear 	<ul style="list-style-type: none"> Renova Foundation reviews current curriculum and identifies workforce needs Bring in Argjent Karai (designer of Skendaria vocational training center in Kosovo) to discuss concept with Renova and Worker’s University Highlight this approach to the Northwest Chamber --- sub committee on Construction EU Cross-Border Cooperation between Macedonia and Kosovo Start discussions with EU twining project to support Adult Education—with AEC
Worker’s University	<p>Vocational and Educational Training Institution (VET)</p> <p>Horizontal 2: Workforce development</p>	<ul style="list-style-type: none"> Working in coordination with Renova on WFD 	<ul style="list-style-type: none"> Determine overall capacity for delivering training 	<ul style="list-style-type: none"> Commercial pricing and costs for training to TBD. Timing and development of training courses Possible linkage with training center in Kosovo Begin discussions about CBC funding as part of development plan
Veze Sharri	<p>Lead firm</p> <p>Vertical 1: Private Sector Engagement</p>	<ul style="list-style-type: none"> Import Substitution- company is willing to buy as much corn for feed as farmers can grow @ import price Grow more corn! 2 demo sites using fertigation and new variety of high yield 	<ul style="list-style-type: none"> High price of corn on the international market Farmers only grow enough corn to feed livestock. Current yield is 5 tons per hectare—new variety should produce 15 tons 	<ul style="list-style-type: none"> Magan Mak to determine cost for pilot sites and appropriate seed varieties Determine the number of hectares and farmers to grow the new variety Develop cost benefit analysis for farmers upgrading to new variety which includes purchasing of excess production by Veze Sharri

		<ul style="list-style-type: none"> corn 10 demo sites using high yield corn and good farming practices General Manager Arben Abdurahmani 		<ul style="list-style-type: none"> Magan Mak to develop growing protocol Veze Sharri to call a meeting of potential farmers Schedule meetings with Ministry of AG extension service for Polog and Farmer's Cooperative
Magan Mak	<p>Medium-size enterprise</p> <p>Vertical 1: Private Sector Engagement</p>	<ul style="list-style-type: none"> Supplier of agricultural inputs and training 	<ul style="list-style-type: none"> Partnering with SBEP as technical assistance and agricultural inputs supplier on a variety of agriculture activities 	<ul style="list-style-type: none"> Magan Mak presentation to Veze Sharri Farmers Joint presentation to Ministry of AG in Polog and the municipalities of Zehlino and Jegnovace to identify and to develop multi-year plan for corn program
Vitamill	<p>Medium-size enterprise</p> <p>Vertical 1: Private Sector Engagement</p>	<ul style="list-style-type: none"> Startup mill in Tetovo Potential for 17 new jobs plus, creation of service opportunities for local companies—and supply chain participation for farmers 	<ul style="list-style-type: none"> Company has no business plan Financing options are limited. Collapse of company is a real possibility 	<ul style="list-style-type: none"> Engage Marija Vaskova (MKonsalting) as financial facilitator to design new business plan, investment strategy, guidance on technology and production, HAACP and contracts with farmers. Set up visit for Tanja Markovska
MKonsalting	<p>BSO</p> <p>Horizontal 1: BSO Development</p>	<ul style="list-style-type: none"> BSO has signed subcontract with SBEP to work with Vitamill 		<ul style="list-style-type: none"> Monitor ongoing activity
Green Product	<p>Small enterprise</p> <p>Vertical 1: Private Sector Engagement</p>	<ul style="list-style-type: none"> 1 decare demo site next to production facility Adoption of fertigation methods by 50 farmers to increase company's supply of seasonal vegetables Increase use of family drip system for farmers with small holdings Mr. Naser Zeqiri 	<ul style="list-style-type: none"> Overall plan is underdeveloped Partner is not readily available for planning discussions Site not operating within all the protocols 	<ul style="list-style-type: none"> Visit demo site and determine progress Contact Naser and determine next steps
Vigan	<p>Small enterprise</p> <p>Vertical 1: Private Sector Engagement</p>	<ul style="list-style-type: none"> Establishment of a Wild mushroom collection center in Tearce. Collection center will employ up to 100 workers and create revenue for 300 individuals Mayor Isen Asani 	<ul style="list-style-type: none"> Selection of an appropriate location for center Leasing terms with the municipality Financing maybe an issue Delays as company is in the middle of the current season—harvesting is underway 	<ul style="list-style-type: none"> Wait for the end of current agricultural season Contact municipality and Vigan management to obtain an update on discussions
MOLIKA	<p>Medium-sized enterprise</p> <p>Vertical 1: Private Sector Engagement</p>	<ul style="list-style-type: none"> Furniture company which acquired Cold storage- blast freezing facility for fruits and vegetables 	<ul style="list-style-type: none"> Lack of marketing capacity Supply chain for inputs is undeveloped 	<ul style="list-style-type: none"> Revisit company and talk with management about potential supply chain initiative

AGRO products	Small enterprise Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> • Glass greenhouse in Vraprishte • Produces vegetables for local market • Potential to produce high value herbs 	<ul style="list-style-type: none"> • Management are new to agriculture and have limited experience • Using drip irrigations for production but lack market knowledge –therefore grow low value produce • Energy cost for heating the greenhouse is overwhelming—need for non-diesel fuel option of power generation 	<ul style="list-style-type: none"> • Revisit company • Meet with Magan Mak to better understand the investment program underway • Potential for BSP support—talk with Blagoja Milosevski • Identify supply chain opportunity • Potential exists for company to produce medicinal herbs for Flores
B&S Energy	Medium-sized enterprise Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> • Production of wood pellets • Acquired land concession from the government • Czech investment • Facility to be built in Vrapchiste municipality • Office in Gostivar 	<ul style="list-style-type: none"> • Financing and working capital is an issue • Holding company is waiting to finalize investment 	<ul style="list-style-type: none"> • Work with the company on lease back options • Access to finance facilitation with SBEP • Speak with Ujkan Idrizi
NSG Holdings	Medium-sized enterprise Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> • Contract manufacturer of Wind turbine engines for Vestas and Semiens • Constructing new factory in Jegonuce municipality • Will employ 500 workers 	<ul style="list-style-type: none"> • No apparent problems • Management is influenced by Swiss business experience • Company expressed interest in identifying local suppliers—has only identified cardboard packaging and wood pallets as possibilities 	<ul style="list-style-type: none"> • Continue discussions about supply chain opportunities • Potential for workforce development initiative?
South Eastern Europe University	BSO Horizontal 1: BSO Development	<ul style="list-style-type: none"> • Business Development Center—originally funded by USAID • Supports local businesses with (academic) consultants • Keen on collaborating with SBEP • Excellent conference and meeting facilities • Mr. Lumni Ajvazi 	<ul style="list-style-type: none"> • No strategic development programs • Focused on selling services to the business community • Possess research capacity but mostly academic centric 	<ul style="list-style-type: none"> • Continue discussions with BDC—no apparent points of synergy beyond purchasing services and or use of facilities
HIT73-Cheese Producer	Small enterprise Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> • Cheese producer with regional market • Produces \$US1-1.5 million of cheese • Employs- approximately 87 people • Mr. Sadri Hajdari 	<ul style="list-style-type: none"> • Shortage of raw milk supply • Dairy farmers produce low yields of milk • Working with small family run farms with small number of dairy cows—high collection cost, quality control issues. 	<ul style="list-style-type: none"> • Look into dairy (raw milk) supply chain. • Examples of min-dairy mills as pilot projects • Visit Vezi Sharri – advance dairy farmer with 100 cows • Open question will increase corn production lead to increased quality of silage which will in turn raise the quality and yield of milk from dairy cows?

Frigo Technica	Small enterprise Vertical 1: Private Sector Engagement	<ul style="list-style-type: none"> Industrial manufacture of refrigeration units of restaurants and supermarket chains Mr. Irfan Izairi 	<ul style="list-style-type: none"> Cost and availability of raw materials problematic Cost of compressors fluctuates, leading to pricing issues Delivery and transport of materials problematic 	<ul style="list-style-type: none"> No further action at this point Need to speak with similar companies in Gostivar
Financial Facilitators	BSO Horizontal 1: BSO Development	<ul style="list-style-type: none"> Expand the activities and scope of SBEP financial facilitators Facilitators have been asked to think about the supply chain concept and seek out potential clients---1st phase 	<ul style="list-style-type: none"> Lack of a fully developed pipeline of companies to work with Regional approach may be a possible limitation Current group of financial facilitators may be engaged with other projects 	<ul style="list-style-type: none"> Rethink use of BSPs Reconvene BSPs currently engaged in 1st phase Brainstorm about other sector opportunities beyond agriculture—perhaps rural tourism
Mozonosti	BSO Horizontal 1: BSO Development	<ul style="list-style-type: none"> Work with Mozonosti to identify companies to work with 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Determine a local contact Define pipeline of companies
ProCredit	Bank/BSO Horizontal 1: BSO Development	<ul style="list-style-type: none"> Work with ProCredit to identify companies to work with 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Determine a local contact Define pipeline of companies
Macedonian Bank for Development Promotion	Bank	<ul style="list-style-type: none"> Pro active development bank with products tailored for agricultural interests 	<ul style="list-style-type: none"> N/A Forward thinking institution 	<ul style="list-style-type: none"> Define opportunities to use existing products for small businesses and farmers within the SBEP portfolio

SBEP Monthly Calendars

◀ Jun 2012			~ July 2012 ~			Aug 2012 ▶
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 Meeting with Worker's University	3	4	5	6	7
8	9 Staff meeting	10 Workers University in Tetovo Mtg with Windmill company	11 Meeting with Worker's University - Mimi, Carlk & Dimoe Mtg with NSG Holding - Zhelino	12	13 PMP meeting with USAID Mtg with Habitat, Metal Art & YES Dimoe - Presentation of the Economic Chamber of North-West Macedonia	14
15	16 Mtg with Textile Cluster Mtg with SBEP database developer	17 Mtg with Kuli Prilep & Saitis Bitola RDC Bitola Mtg with Worker's University in Tetovo	18 Novaci Mtg with RCD Pelagonija & Preda Plus	19 Mtg with Igor – Ministry of education EBRD Tanbas	20 Mtg with EU representative Dimoe - mtg with Vigan Tearce	21
22	23 Supply Chain initiative in Prilep (Vitaminka – Mimi and Brett) Mtg with Konekt	24 Supply Chain initiative in Prilep (Vitaminka – Mimi and Brett)	25 Supply Chain initiative in Prilep (Vitaminka – Mimi and Brett) Dimoe - mtg with Renova foundation Mtg with Swisslion	26 Supply Chain initiative in Prilep (Vitaminka – Mimi and Brett)	27 Mtg with Mission Director – debriefing Staff meeting in Skopje office	28
29	30	31	Notes:			

~ August 2012 ~						
◀ Jul 2012						Sep 2012 ▶
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1 Staff meeting in Skopje	2	3	4
5	6 Envirommental team – visit of Greenproduct	7 Blagoja FF - visit of LED Tearce, Bogovinje Municipality, Greenproduct & RDC Adilij	8 Blagoja FF - mtg with Eurotem B&S Energy	9 Mtg with USAID Envirommental team	10 Mimi visit to Bitola - Connect and Vitaminka with Preda Plus and RDC	11
12	13	14 Mtg with Renova foundation NGO Ljolje	15 Mtg with IDEAS	16 Mimi visit to Bitola – BSCenter, Preda Plus and Regional Development Center	17 Mimi visit to Bitola – Konzervna & Preda Plus, Hazelnut Cooperative & Preda Plus	18
19	20	21	22 GIZ Tetovo Mtg with SBEP Database developer	23 Mtg with Ivan - Magan MAK Mtg with IDEAS Mtg with ESA Mtg with Tetovo Economic Counsel	24	25
26	27	28	29	30	31 Renova foundation, Worker's University and SEEU Development Center Meeting with Vitamil SEEU Business Development Center	Notes:

◀ Aug 2012		~ September 2012 ~					Oct 2012 ▶
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	
						1	
2	3 Meeting with Northwest Chamber of Commerce and USAID Ideas - Initial discussion about collaboration Mtg with Možnosti Mtg with Marija FF regarding Vitamil	4 Meeting with USAID in Tetovo-Worker's University, Renova Foundation and GIZ	5 Vitamina mtg Mtg with Preda Plus Mtg with Hazelnut producer - Iljo	6 Macedonian Green Growth and Climate Changes Seminar - Gostivar BSC Bitola RDC Pelagonija	7 Mtg with Konzervna Bitola Mtg with Organic cooperative Mtg with Worker's university	8	
9	10 Exploring Macedonia mtg Mtg with Goran - Ideas Northwest chamber meeting Meeting with Daniel (software engineer), regarding the SBEP database SBEP Staff Meeting AgBiz b2b mtg in Strumica	11 Team brainstorming in Tetovo office	12 Meeting with Vezeshari and MaganMak in Tetovo Mayor of Tetovo	13 Mtg GIZ RDC NW Chamber	14 CEED Workplan Presentation - Dimce & Aleksandra	15	
16	17 Mtg with MATA	18	19 Konzervna Hazelnut Cooperative RDC Pelagonija Organic Cooperative - Prilep	20 YES Tetovo	21 Rural Development Network	22	
23	24 Mtg with Bitola Business Start Up Center	25 DPM Peshevski Vezeshari and Magan Mak	26 Ministry of Agriculture & RDC Interns interview - Tetovo office Iljas - Pelets Albania	27 Bitola Saltis RDC Pelagonija Mtg - Dimce & Arber - Vezeshari	28 Mtg - MCG IQC	29	
30	Notes:						

Project Administration

Administrative Achievements

During this quarter SBEP staff worked to develop and clarify budget tracking mechanisms, contracting and procurement processes, and other administrative items related to operational Project startup. SBEP has achieved the following contractual and administrative accomplishments:

- Employee Handbook developed for use by field staff
- Activity calendars created on a monthly basis
- Vehicle Policy Handbook under development
- Two interns hired to assist with administrative, logistical, and technical duties as assigned
- Programmatic budget tracker developed to facilitate financial planning and monitoring
- MOUs signed with Polog and Pelagonija RDCs, and with Vitaminka
- Letter of Collaboration signed with Pelagonija RDC
- Subcontracts signed with PREDA+ and MKonsalting
- Cost analysis performed on various vehicle options; US-made vehicle purchased according to USAID requirements and guidelines

SBEP has adopted a “concurrence memo” model to facilitate effective communication between the Project and USAID. Under this scheme, a memo of concurrence, including budget and scope of work, is issued for each new Project activity requiring use of Project funds. SBEP will not proceed with proposed activities until COR approval is gained. This model has been used with great success in previous CARANA projects, and already has proven an effective tool in SBEP’s initial phase.

SBEP and CARANA fully understand and take very seriously all USAID regulations governing contractual agreements under the Project. For all subcontracts and collaborative agreements, SBEP has established a system for ensuring compliance with USAID competition and cost analysis requirements, under which procurement documentation originates in the field office and is reviewed and revised in the home office before return to the field office for execution. A parallel system has been set-up to ensure that local partner organizations are screened for full compliance under USAID eligibility regulations, including screening organizations and individuals through the OFAC, EPLS, and Al-Qaeda online databases.

Project Vehicle

Soon after initiating Project activities, SBEP identified the need for purchasing a Project vehicle, as Project activities are spread throughout rural areas of the Polog and Pelagonija regions. A thorough financial analysis confirmed that it would be more cost effective to purchase vehicle than to lease one, and CARANA initiated the appropriate vehicle procurement process. As an interim solution SBEP rented vehicle for three months until the procurement process was completed.

SBEP contacted another USAID project that has conducted market research on car dealers selling US-made vehicles in Macedonia. The only feasible car dealer was the company Automobile SK, which sells Jeep vehicles. SBEP compiled the necessary documentation and requested USAID approval to purchase the vehicle chosen, a JEEP Compass 4WD Sport. Upon approval from the USAID Regional Contracting Officer (RCO) in Budapest, the procurement process was started and the vehicle was procured, insured, and registered, and its daily use began on September 14, 2012.

PMP and Project Database

Initially, SBEP reviewed the Performance Monitoring Plan (PMP) indicators table contained in the Project Contract and consolidated the indicators, focusing on those most relevant for contributing to the Project's established Intermediate Results (IRs). A revised PMP table was submitted to the Project COR for review and approval in June. In July, SBEP scheduled a meeting with the USAID/Macedonia Mission's Monitoring and Evaluation Specialist, Mr. Ivica Vasev, to confirm the new list of indicators and discuss the potential addition of some USAID standard indicators, and/or the removal of some of the less-relevant indicators. A fully-revised PMP will be submitted along with the FY 2013 Work Plan. The Project's goal is to integrate both documents, as well as reporting mechanisms, under a single framework that will inform SBEP strategy, partnerships, specific initiatives, monitoring, and reporting.

SBEP has identified the need to develop a relational database as an electronic tool to track and report on Project initiatives and partners, as well as its PMP progress. For that purpose Project staff created initial outlines and technical designs for such a tool, including a list of desired functionalities. The database will use simple, customized software to allow SBEP personnel to contribute Project-related information and updates, and to produce reports on SBEP activities, outcomes, and strategies. SBEP's procurement of the necessary local software services began in July when SBEP staff had the first introductory meeting with the software developer.

Home Office Support

CARANA Project Specialist Matt Inbusch made a second visit to Macedonia for two weeks starting in late July 2012. The purpose of this visit was to assist in the development of an environmental compliance strategy for the Project. In addition, Mr. Inbusch participated in meetings with various Project partners and potential partners. Finally, Mr. Inbusch worked with field office staff on a number of administrative, budgeting, and contractual issues which had become apparent as SBEP activities were initiated in June and July.

Environmental Compliance

Per the Initial Environmental Examination (IEE) included in the SBEP contract, the Project as a whole contains a "Positive Environmental Threshold Decision," meaning that the environmental implications of its activities must be accounted for (beginning in the activities planning phase), and that when appropriate, SBEP must take appropriate mitigation and monitoring measures as activities are

implemented. During project start-up, Mr. Inbusch was tasked with guiding the Project's strategy and initial steps in regards to environmental compliance (EC), and his visit was planned to coincide with the visit of the Washington-based USAID/E&E Bureau Environmental Officers (BEOs) to the region. In June, Mr. Inbusch and SBEP home office Project Manager Mr. Eduardo Tugendhat had a productive meeting with the E&E BEOs, Mr. William Gibson and Mr. Jeffrey Ploetz, in Washington to outline the Project's initial EC strategy. Mr. Inbusch also met with Mr. Ivica Vasev, the USAID/Macedonia Mission Environmental Officer (MEO), who was in Washington at the time, just prior to his trip.

Mr. Inbusch spent much of his time in Skopje researching and drafting various documents in preparation for the planned August 9th meeting with the BEOs, including a memo outlining SBEP's understanding of its EC obligations and proposing a process for screening potential Project activities; a two-page narrative explaining the Macedonian context and SBEP's approach to agricultural interventions in the country; a chart of current and planned Project activities and the potential environmental impact of each (if any); and a draft Environmental Review Checklist document for the drip irrigation pilot project which the Project had chosen to highlight.

On August 9, Mr. Gibson, Mr. Vasev, and Project COR Ms. Tanja Markovska accompanied Project staff to the GreenProduct facility outside Tetovo. GreenProduct staff, as well as the Mayor of the neighboring Tearce municipality and a representative of the Tearce LED office, met with SBEP and USAID personnel, and visited the site of the pilot. Unfortunately the pilot was not yet operational, and significant results will not be seen this season, because the short time since project launch did not allow for implementation at the beginning of the season. The visit, however, was productive as an illustration of the SBEP model going forward, as it pertains to agricultural activities.

SBEP and USAID personnel then sat down to discuss the broader EC strategy of the Project. It was recommended that the Project create a Programmatic Environmental Assessment (PEA) outlining its EC strategy in detail. USAID requested that the Project include environmental impact and sustainability as an integral part of its model, and develop an internal review process by which to make determinations about potential impacts of proposed activities. A third-party environmental expert would be incorporated into this process, and new activity Concurrence Memos would include the internal EC threshold decision. It was agreed by both USAID and SBEP staff that this approach will meet the Project's EC obligations, while eliminating unnecessary and cumbersome processes for both parties. A draft PEA is expected by October, and will likely be submitted along with the new Work Plan and PMP.